



Managing Change in Asset Management

Building a project management center of excellence
(PMCoE)



Broadridge®



Introduction

Amid unprecedented economic turmoil and regulatory change, most asset managers have had little time to bring the future into focus. But they should keep a watchful eye out as the industry faces up to a number of seismic shifts that will fundamentally shape its destiny. Several game-changing trends are driving this transformation of the landscape, according to PwC¹:

- Asset management moves to center stage—reaching \$100 trillion AuM by 2020
- Distribution is redrawn—regional and global platforms dominate
- Fee models are transformed
- Alternatives become more mainstream, passives are core and ETFs proliferate
- New breed of global managers
- Technology becomes mission-critical—asset management moves into the 21st Century

Most asset managers are struggling with this increasing business complexity and how best to introduce the changes needed to succeed in this new paradigm.

Against this backdrop, project management, once an esoteric and discretionary role supporting ad-hoc projects, will emerge as a core discipline for managing change. Establishing a Project Management Center of Excellence (PMCoE) will enable asset management firms to implement a new approach to managing change across their enterprise. Underpinned by a firm-wide change strategy, the PMCoE structurally re-engineers the entire approach from strategic leadership through project execution, and across initiatives, functions, and geographies.

This paper explores how the PMCoE can bring strategic focus, operational excellence and business value to the organization. Aligned with the strategic priorities, leaders and project managers will gain “Expertise Equity™”—a paradigm introduced by Broadridge in 2015—providing the skills to work across different business projects while institutionalizing a uniform framework and best practices for project management.

This white paper was created by the Asset Managers Forum Project Management Working Group.

¹PwC Brave New World Asset Management 2020: A Brave New World

Drivers of Change in Asset Management

While there are always a multitude of factors that contribute to market evolution, seven stand out as being especially important in driving the changes taking place in the asset management industry.

Regulatory. The costs of responding to, and complying with, regulation may plateau, but they will still remain high by historical measures. Managing regulatory changes with a cost efficient, low disruption approach will remain a top priority.

Commercial. As firms grow their distribution networks and product manufacturing capabilities to take advantage of increased opportunity, there will be an associated and sustained cost.

Fees. The ongoing push for greater transparency and comparability from investors, as well as scrutiny from policymakers and regulators, will continue to drive down asset management fees. Asset Management firms will seek capital and operational efficiencies to offset the decline in fees.

Product. Global firms will have to diversify their offerings to match the broad range of their clients. Large pension funds, endowments, insurers and SWFs will expect alternative strategies to be part of the product set offered. With this pressure to provide this flexibility comes the additional cost, mainly to the global firms, of on-boarding clients and distributing these products.

Technology. Investment in technology and data management will need to be maintained or increased to maximize distribution opportunities, benefit from new opportunities offered by new technologies and social networks, or to cope with the rigors of regulation and reporting. While a cooling-off in IT spend was expected for US firms in 2013–2014, European asset managers are expected to increase their technology investment to the same level as their US counterparts through 2020, according to PwC.

Distribution. Fund distributors will have stress on their resources in the years to 2020. As a result, the skills required for an increasingly complex and resource-intensive distribution landscape will test the industry's best.

Demographics. There will be a different focus for wealth managers, mainly due to changes in baby boomers' needs. They will have to deal with decumulation rather than accumulation of wealth, helping clients manage retirement lifestyles and wealth transfer to the younger generation.

There are significant opportunities for asset managers ahead. However, there are also clouds looming. Along with growing assets, there will be rising costs. The expense base of asset management will continue to soar as it has in recent years and margins in 2020 may be no higher – and may well be lower – than in the current post-financial crisis era. Profits today are still 15%–20% below their pre-crisis highs – according to industry analysis – and it is debatable whether they will ever return to these levels.

With the heightened regulatory environment and increasing business complexity, most asset managers are struggling with how to accelerate the change needed to succeed in this new environment.

Why a Disciplined Approach Matters

- Strategic focus and business value
- Aligned with the strategic initiatives of the organization
- Actively collaborating with business stakeholders
- Drives value within the organization
- Uniform enterprise-wide standard framework and practices
- Stronger collaboration across businesses and functions
- Central pool of project managers with specialization across business, process, technology and operations

Project Management: A Discipline for Managing Change

While there will remain significant opportunities for asset managers, the lack of discipline around creating sustainable change will cloud the future. Sustainable change requires an urgent redefinition of how project management is approached within asset management firms. It also requires discipline.

Against this backdrop, project management, once an esoteric and discretionary role supporting ad-hoc projects, will emerge as a core discipline for managing change.

Establishing a Project Management Center of Excellence (PMCoE) will enable asset managers to implement a new approach to managing change across their enterprise. Underpinned by a firm-wide change strategy, the PMCoE structurally re-engineers the entire approach from strategic leadership through project execution, and across initiatives, functions and geographies.

Moving from “Project Manager” to a PMCoE

A well-functioning project management function is one whose purpose, charter and organization is aligned with the strategic initiatives of the organization and its stakeholders, and driven by business outcomes.

To gain maximum business value, many firms are centralizing their project management function to create a PMCoE. A PMCoE enables flexibility in the assignment of project managers, stronger collaboration between business functions and most importantly a uniform, enterprise-wide framework and best practices for managing large and small scale initiatives.

Not only does a PMCoE help firms to strengthen the competency skills of a pool of project management professionals, but also creates “Expertise Equity” necessary to drive enterprise change.

PROJECT MANAGEMENT CENTER OF EXCELLENCE

Best Practices

Business process management (BPM) design and reengineering

Policies

Deliver shared services, policies, training, templates, etc.

Processes

Standardize processes in field/business units and provide methodologies, tools and knowledge centers to train staff

Knowledge & Learning

Learning workshops, professional development plans, certification programs, academics

Measurement

Analyze results to demonstrate ROI of the CoE

Technology

Vendor/system standardization, technology expertise to enable automation of key processes across the whole enterprise

Governance

Budgeting and staffing, resource allocation, prioritization, decision-making, performance management, funding

Benefits of Project Management Center of Excellence

Establishing project management as a Center of Excellence (CoE) will be the key to driving organizational change and strategic initiative implementation.

Standardization:

A PMCoE approach for standardization of processes and tools makes it easy for data collection and validation. This is especially useful for firms in ensuring they are compliant with industry regulations. Consider a firm having to be ready for FATCA. This would require the work and coordination of multiple departments including customer relationship management, account opening, trade processing, asset servicing, tax operations, etc. In this scenario, a centralized PMCoE model will work with and coordinate all departments, ensuring a broad understanding and consistent implementation across the enterprise in preparation for the regulations.

Cost Efficiency and effective resource management:

Effective project management typically results in projects that achieve the project's goals and objectives, within the timeframe and allocated budget for the project. A PMCoE can reduce costs, improve quality of service and customer satisfaction, and allow for a business to focus on meeting their goals. PMCoE also ensures that interdependencies between different groups and projects are coordinated, resulting in effective and efficient use of resources.

The PMCoE is expected to implement the best practices and processes, resulting in projects coming in on time, on budget and with high quality delivery. There are times when a project will need to be revisited or realigned due to a change in resources, business demand and/or timeframe. The PMCoE will adapt the defined process and approach to the particular situation.

Collaboration:

PMCoE facilitates collaboration between the project team and key stakeholders. The PMCoE serves as an independent eye to the senior management and sponsor on the execution of projects across silos and geographies. Operating in a centralized model provides an enterprise-wide view of the organization's goals and strategic initiatives. This helps the PMCoE share information effectively by providing access across the organization's operations.

Expertise Equity:

Project managers have traditionally looked to focus solely on management of activities, but over the last few years associates in Financial Services are now required to be fluent in all aspects of the business to add value to the projects they are managing. No longer can project managers be generalists. Instead, they must have the functional expertise of a business analyst. While best practice project management states that project managers could be business agnostic, the reality dictates otherwise. Further, an effective project manager should be attuned to the organization culture and vision. This will allow the project manager to relate to the strategic goals of the organization and prioritize project tasks. Ultimately, it is important that project managers need to understand the firm's business strategies, client's priorities, in addition to the aforementioned deep subject matter expertise. This is especially important with the increasing focus on data-based analytics, which offers PMCoE the capability to offer deeper and more valuable insight.

Evaluating the Maturity of the Project Management Function

A well-functioning PMO is one whose purpose, charter and organization is aligned with the strategic initiatives of the organization, business stakeholders, and driven by business outcomes. To gain maximum business value, firms are now centralizing their PMO to create a Center of Excellence.

A centralized PMO model enables flexibility in the assignment of project managers, stronger collaboration between silos and most importantly a uniform enterprise-wide standard framework and practices. However, firms faced with significant change management should consider the shift to a Project Management Center of Excellence that will support enterprise change management.

Below, we illustrate the evolutionary improvement path from ad hoc, inconsistently performed practices, to a mature, disciplined development of the knowledge and skills required to create a center of excellence.

Understanding Project Management Maturity

Level 1: Initial process

- Ad-hoc processes
- Management awareness

Level 2: Structure process and standards

- Basic processes; not standard on all projects; used on large, highly visible projects
- Management supports and encourages use
- Mix of intermediate and summary-level information

- Estimates, schedules based on expert knowledge and generic tools
- Mostly a project-centric focus

Level 3: Organizational standards and institutionalized process

- All processes, standard for all projects, repeatable
- Management has institutionalized processes
- Summary and detailed information
- Baseline and informal collection of actuals
- Estimates, schedules may be based on industry standards and organizational specifics
- More of an organizational focus
- Informal analysis of project performance

Level 4: Managed process

- Processes integrated with corporate processes
- Management mandates compliance
- Management takes an organizational entity view
- Solid analysis of project performance
- Estimates, schedules are normally based on organization specifics
- Management uses data to make decisions

Our approach will help organizations to characterize the maturity of their project management practices, optimize execution of business initiatives, and establish a culture of performance excellence.

How firms can advance project management maturity

- **Think of it as an ongoing process, not rapid transformation.** Project management maturity will not happen overnight, but rewarding benefits will be noticed in as little as six months along the way toward optimal maturity.

- **Set the maturity goal at an appropriate level.**

Not every organization will need to reach Level 4 maturity to reap important benefits. The maturity assessment will determine the level that is most appropriate for each organization.

- **Focus on continual improvement.** Project management maturity emphasizes continual improvement. There is always room for improvement and growth, even once the organization reaches its highest target maturity level. Organizations should revisit its project management practices, strategies, processes, and goals every six to twelve months.

- **Get outside help.** Like any cultural change within an organization, maturity advancement often means carefully navigating the political climate of the organization to get progress in motion. Leveraging neutral, third party consultants that specialize in effective approaches to assessing maturity and mapping a realistic plan for advancement can help ensure progress more quickly than going it alone. Especially if internal resources are constrained.

- Remember that maturity is not an end in itself. Improved maturity pays off in increased value delivered to the organization's business goals.

The Value of “Expertise Equity” through a Disciplined Approach

While the industry has opportunities for profitable growth, not all firms will succeed, given the magnitude of the change taking place. Firms require considerable strategic foresight to build “Expertise Equity” within the firm. Project managers are best positioned to drive change across the business, technology, processes and client activities when they are operating in firms with a disciplined approach for project management.

Essentials of “Expertise Equity” in asset management

To drive enterprise-wide change in asset management, the PMoCE will organically build expertise equity across ten key areas overtime. Firms who embrace the PMoCE model will gain significant advantages in driving effective change.

Governance

Under pressure from regulators and investors, the boards of asset management (AM) companies and funds have greater oversight responsibilities than ever. Firms are responding by rethinking their governance models, increasing executives' and directors' responsibilities for overseeing important processes. Looking ahead, directors might want to evaluate the appropriate governance committee structures, roles, decision rights and supporting management processes to support decision-making, manage risk and improve transparency.

Risk

The financial crisis and its aftermath revealed the true extent of asset managers' risks. High correlations between credit, market, liquidity and valuation risks underscored the need for more adaptive approaches to investment risk management. Meanwhile, growing numbers of fraud cases and more tax scrutiny showed the extent of operational risk. Managers are beginning to place more emphasis on emerging investment risks, or those that appear unlikely. Additionally, they're taking an enterprise-wide approach to risk.

Regulatory Complexity

New regulations are creating a complex web of regulations around the globe, just as national regulators step up their scrutiny and enforcement procedures. The US Dodd-Frank Act and the EU Alternative Investment Fund Managers Directive are the two most wide-ranging pieces of new regulation, but others will follow governing practices like OTC derivatives trading. Firms will want to review the operation, resources and effectiveness of compliance programs, especially in key risk areas.

Featured Use Case:**Regulatory Center of Excellence**

Situation: New regulatory and compliance requirements have placed pressures on internal structures. Siloed risk, finance and operations organizations make it more difficult to establish effective regulatory reporting processes. Other aspects of complexity also loom large, including managing new and complex risks, dealing with complex legacy systems and managing the needs of different stakeholders. Against this background, there is an evolving role for the PMO in managing multiple transformation requirements across the business.

Risks and considerations: Fragmented approach to regulatory management across siloed departments causes:

- Redeployment of PMO resources away from discretionary growth initiatives to complicated, time-bound regulatory initiatives
- Limited governance over regulatory reporting processes.

Solution: An enterprise-wide approach to regulatory management within the PMO

- Managing the complex needs of all stakeholders
- Managing new and complex financial, business
- Integration between regulatory requirement, strategy, operating plans and reporting processes
- Expertise to apply the regulatory requirement to align with business operating models

Operations and technology

Evolving regulatory regimes, combined with greater and more complex transaction volumes, are stretching front-, middle- and back-office systems. So asset managers are designing enhanced operations' architectures that improve reporting and operations efficiency, by implementing a range of initiatives including outsourcing, workflow management and improved data management. They're also integrating reporting systems for different asset classes that were previously separate.

Featured Use Case**Alternative Investment Fund Middle Office Lift Out**

Situation: Alternative investment fund was seeking to lift out of its middle office to a service provider. Transitioning their middle office functions will enable the asset management firm the ability to trade in new markets and assets classes, manage operational and technological risks in the middle and back office environments, reduce overall operational costs, and improve quality of service

Risks and considerations: While the initiative will deliver many benefits, the asset management firm needed to assemble a project team to address risks and considerations, including:

- Managing multiple stakeholders and vendors
- Managing aggressive timelines and client expectations
- Assimilation of Operations teams from the asset management firm
- Competing demand for resources
- Managing BAU/KTLO with project demands
- Addressing regulatory changes such as central clearing

Requirements: In response, a project management team was established to address the following

- Prioritizing competing demand for resources
- Establishing accountability across various stakeholders
- Establishing lines of communication for frequent and unambiguous communication with multiple stakeholders and the client
- Distributing SME knowledge evenly across multiple efforts
- Mitigating impact to BAU/KTLO type activities

Key outcomes:

- Formalized Project Charter setup, Project Initiation and Kick-off
- Mission control/PMCoE was setup to orchestrate efforts and timing of these efforts
- Operations Managers were empowered and encouraged to make decisions
- Improved focus on connecting the dots across work streams and functions

- Facilitate co-learning across Operational teams (combination of service provider and in-house teams) to foster closer cultural integration of teams

FATCA and global information reporting

New tax and regulatory requirements, investor expectations, the globalization of AM and mounting product complexity are all increasing information reporting needs. In particular, the US Foreign Account Tax Compliance Act (FATCA), which is intended to prevent US citizens or residents from evading federal income tax on US-sourced investment income, carries significant reporting requirements for asset managers not only in the US, but globally. To meet these reporting challenges, asset managers must make sure they're up to date with new rules and standards – especially evolving FATCA guidance – and be proactive about improving reporting.

Trust and transparency

Asset managers are finding that greater transparency enhances trust – building confidence in reporting accuracy, governance and accountability. Yet existing information systems often can't meet the growing information requests from investors and, increasingly, regulators. Asset managers who do give information in a timely, accurate and useful manner have a competitive advantage.

Strategic M&A

While M&A volumes have failed to meet expectations in the past year, asset managers have good strategic reasons for making acquisitions. Organic growth is hard to find in mature markets and scale is becoming more important. Asset managers might use acquisitions to buy entry into higher growth markets and to build scale in a still fragmented industry. Market volatility is holding back deal volumes for now, but volumes will increase when financial markets stabilize.

Organic Growth

Growth is struggling against the headwinds of economic uncertainty and market volatility. Asset managers are scrutinizing their businesses to find ways of strengthening their market positions and exploiting the few growth opportunities that exist. Future growth will depend largely on execution, with go-to-market strategies, branding, distribution

analytics and client-facing services proving important. Additionally, innovative and customized products, as well as global and emerging market strategies, offer opportunities.

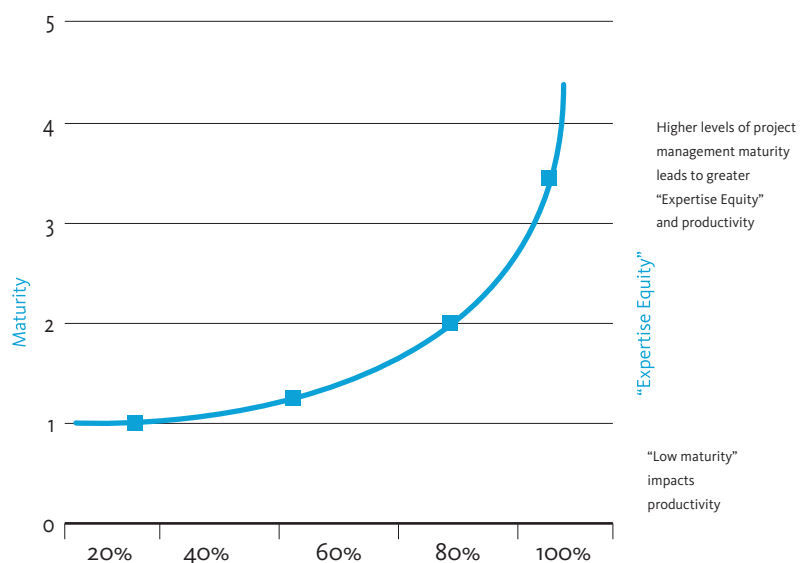
Human capital

As signs of tentative market recovery continue, asset managers are investing in recruiting and retaining talent. Competition for the best people is as great as ever. Most asset managers already have people strategies, but they're seeking to align these more effectively with their business strategies.

Understanding the correlation: Project management maturity and “Expertise Equity”

This “Expertise Equity” is a result of considerable investment, proven delivery experience and thousands of man-hours of insight acquired from the “specialization of initiatives” on the ground, doing the job.

The illustration below shows the impact of greater levels of maturity on expertise equity and productivity of the project management function.



Organizational Productivity and PM Expertise Equity as a function of PMO Maturity

In summary, creating the “Expertise Equity” that brings together knowledge across businesses, functions and geographies—delivers the essential intelligence and know-how for driving large scale change.

Leading Change: Project Management Center of Excellence (PMCoE)

The motivation for the PMCoE is to radically improve the ability for Asset Management Firms to optimize business process, technology and operations but most importantly to lead and manage cross organizational initiatives and projects.

A well-designed PMCoE will enable firms to gain control of their processes for managing and deploying critical business initiatives.

- Focus on critical initiatives: Provide critical and meaningful operational insight to senior leaders. This ensures senior leaders are spending time on the critical priority items that need their attention.
- Smart and simple processes: Establish enterprise-wide program level routines that help monitor and manage the projects;
- Foster talent and capabilities: Build and nurture the right leadership skills required for executing strategic initiatives.
- Encourage a culture of change: It is important that firms adopt and embrace a culture of change that focuses on collaboration, risk awareness and commitment to strategic initiatives of the organization.

It is important to recognize that improving change management and project effectiveness is a complex task, especially for mid-sized and large asset management organizations. Like any enterprise initiative, failure rates can be high if the challenge is not approached strategically and methodically.

Success factors

1. **Documented and agreed upon charter.**
Formal document that defines the scope, purpose, authority and operating procedures of the PMCoE. It should be detailed and include the current level of project management maturity along with specific goals, tied to key metrics, for measuring improvements.
2. **Strong leadership.** The leader should be analytical, process-oriented, and have the ability to work effectively with key stakeholders and executive-level sponsors. A consulting background in BPM is an asset.
3. **Executive level sponsorship and buy-in.**
Without a full commitment from senior management to support the PMCoE with the required budget, resources, and attention, there is a solid chance that the initiative will fail inside of 12 months. Enterprise-wide initiatives are notorious for failing, so be sure to set reasonable expectations and don't attempt without the required buy-in.
4. **Defined roles and responsibilities.** Like any high functioning team, each group and individual member of the PMCoE needs to have clearly articulated a role & responsibilities metrics to measure their performance, and goals & objectives. It is imperative to document these roles and responsibilities to ensure that everyone is on the same page, new PMCoE members get up to speed quickly, and you can clearly communicate to senior-level stakeholders how the PMCoE functions from an operational perspective.
5. **Establish "Expertise Equity" within the project management function.**

Conclusion

The asset management industry has a once-in-a-generation opportunity to capitalize on the changes in market structure that are fundamentally reshaping the way firms compete. Responding to this immediate need for business transformation in a streamlined, timely and structured manner will be a key differentiator. To get there requires action and discipline. For the winners, there are the spoils of what will be a \$1 trillion asset management industry. For the laggards, the likelihood is that more innovative and competitive firms will overtake them.

To capture these opportunities in the new paradigm requires the discipline of organization approach that is only possible when a strong PMO function is aligned to business strategy. No longer is ad-hoc project management a viable option for the successful asset management firm of the future. Instead, a lean, well-orchestrated center of excellence holds the key to performance and competitiveness. The fruits of a well-planned PMCoE will be harvested across the firm, especially given the growth of “Expertise Equity” that is generated by having a more rounded, educated, and transferable workforce.

As the asset management industry continues to evolve, the centralization and optimization of the PMO function can drive profits, improve business efficiencies and demonstrate transformation management to clients. The only obstacles to capturing these benefits are the willingness to embrace the need for change and the fortitude to ensure it happens.

Contact Us

To further discuss the information in this document, please call us at +1 800 237 1900 or email info@broadridge.com.

About Broadridge

Broadridge Financial Solutions, Inc. (NYSE:BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally. Broadridge's investor communications, securities processing and business process outsourcing solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With over 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 90% of public companies and mutual funds in North America, and processes more than \$5 trillion in fixed income and equity trades per day. Broadridge employs approximately 6,700 full-time associates in 14 countries. For more information about Broadridge, please visit **broadridge.com**.

About SIFMA's AMF

Dedicated to facilitating collaboration among the buy-side operations community, the Asset Managers Forum (AMF) brings together subject matter experts to discuss and develop practical solutions to highly topical operational challenges. The AMF's mission is to provide thought leadership and guidance on pertinent industry issues and to create a premier venue for operations professionals to develop and share best practices in order to drive industry change.



No part of this document may be distributed, reproduced or posted without the express written permission of Broadridge Financial Solutions Inc. © 2015 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.